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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

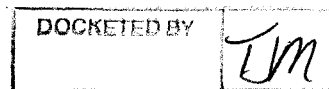
May 25, 2012

Arizona Corporation Commission
DOCKETED

MAY 25 2012

HAND DELIVERED

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007



Re: *The Arizona Investment Council ("AIC") Testimony in Support of Settlement Agreement; Docket No. T-01051B-11-0378*

Dear Sir or Madam:

Enclosed are the original and 13 copies of the testimony of Gary Yaquinto on behalf of the AIC in support of the Settlement Agreement filed in this docket on May 17, 2012. Your assistance is appreciated.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

MMG/plp
18762-10/3050137

Enclosures

cc w/enclosure: Service List

Original and 13 copies filed with Docket
Control this 25th day of May, 2012.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF
QWEST CORPORATION D/B/A CENTURYLINK-
QC ("CENTURYLINK") TO CLASSIFY AND
REGULATE RETAIL LOCAL EXCHANGE
TELECOMMUNICATIONS SERVICES AS
COMPETITIVE, AND TO CLASSIFY AND
DEREGULATE CERTAIN SERVICES AS NON-
ESSENTIAL.

Docket No. T-01051B-11-0378

Testimony in Support of Settlement Agreement

by Gary M. Yaquinto

on Behalf of

Arizona Investment Council

May 25, 2012

1 **1. INTRODUCTION**

2 **Q. Please state your name, position and business address.**

3 A. Gary M. Yaquinto. I am President of the Arizona Investment Council ("AIC"). Our
4 offices are located at 2100 North Central Avenue, Phoenix, Arizona 85004.

5
6 **Q. Have you filed testimony previously in this case?**

7 A. Yes. I filed direct testimony on March 16, 2012 and rebuttal testimony on April 23,
8 2012.

9
10 **Q. What is the purpose of this testimony?**

11 A. My testimony is offered to explain AIC's support for the Proposed Settlement Agreement
12 filed by Staff on May 17, 2012.

13
14 **2. SETTLEMENT AGREEMENT**

15 **Q. Is AIC a signatory to the Settlement Agreement?**

16 A. Yes. In addition to filing direct and rebuttal testimony, AIC participated in the
17 discussions which led to the Settlement Agreement. I signed the Settlement Agreement
18 on behalf of AIC.

19
20 **Q. Please describe the process which led to the Settlement Agreement.**

21 A. The company notified parties of the date, time and place for discussions and made
22 arrangements for parties to participate via telephone if they were unable to attend
23 meetings in person. Although the parties failed to reach a settlement agreement prior to
24

1 commencement of the evidentiary hearing, while the hearing was in recess, a second
2 round of settlement discussions took place and Staff, CenturyLink, RUCO and AIC
3 reached a global settlement.
4

5 All meetings convened to discuss the application and to negotiate settlement were
6 transparent and open to all intervenors.
7

8 **Q. Generally, why does AIC support the Settlement Agreement?**

9 A. The Settlement Agreement provides benefits to the Company as well as its customers by
10 placing CenturyLink on a streamlined regulatory footing similar to (but not fully
11 consistent with) that occupied by its regulated competitors like Cox Communications and
12 other Competitive Local Exchange Carriers ("CLECs"). It establishes a path to certainty
13 for CenturyLink to achieve pricing flexibility and parity in a highly competitive market
14 and reduces unnecessary regulatory overhead. As I discussed in my direct testimony, the
15 move toward regulatory parity will better position CenturyLink to meet its capital
16 investment commitments to the Commission, reduce investor confusion over differing
17 regulatory practices for competitors and improve its ability to compete.
18

19 **Q. Mr. Yaquinto, do telecommunications developments also support approval of the**
20 **Settlement Agreement?**

21 A. Yes. It has been 17 years since the Commission passed its Competitive
22 Telecommunications Rules which enabled other providers to offer basic
23 telecommunications services to business and residential customers that were before then
24

1 provided only by legacy CenturyLink. Since that time, the Commission has issued
2 Certificates of Convenience and Necessity to dozens of CLECs and CenturyLink's share
3 of the market has declined dramatically. Further, advancements in technologies like
4 wireless and Voice-Over-Internet-Protocol have made unregulated communications
5 options available to customers. Today, about 30 percent of Arizona telephone users have
6 completely "cut the cord" and have only wireless service. Texting and e-mails are now
7 substitutes for traditional voice communications. Between 2001 and 2010,
8 CenturyLink's access lines declined by more than 50 percent, while the State's
9 population increased by almost 25 percent over the same time period.

10
11 AIC believes it is well past time for CenturyLink to be unburdened by the regulatory
12 practices that were crafted for a monopolistic industry 100 years ago. While AIC
13 believes the parties' settlement should have gone further, the Settlement Agreement does
14 recognize the competitive nature of CenturyLink's basic services and provides a pathway
15 for modernizing regulation of CenturyLink in Arizona.

16
17 **3. CONCLUSION**

18 **Q. Do you have a recommendation for the Commission?**

19 **A.** Yes. AIC urges Commission approval of the Settlement Agreement.

20
21 **Q. Does that conclude your testimony?**

22 **A.** Yes, it does.
23
24